

March 13, 2002

To: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne Brathwaite Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: David E. Janssen
Chief Administrative Officer

STATE LEGISLATIVE UPDATE

State Budget Update

State Treasurer Philip Angelides appeared before the Assembly Budget Subcommittee No. 4 yesterday to apprise Members of the status of the energy bond, and to present his plan for the restructuring of the State's general obligation bond debt.

\$11 Billion-Plus Energy Bond. Treasurer Angelides presented a timeline that, barring litigation, will result in the sale of revenue bonds by July or August of this year. On March 21st the California Public Utilities Commission (CPUC) will consider the appeals of its earlier adoption of both the rate order and rate agreement that will repay the bonds. If no litigation is filed in the mandatory 30-day grace period after the March 21st CPUC action, the Treasurer can proceed to sell the bonds. However, if a suit is filed, that litigation must first be resolved.

Restructuring of the State's General Obligation Bond Debt. On February 14th, the Department of Finance notified the Legislature that the Davis Administration had incorporated the Treasurer's restructuring plan into its budget and was withdrawing its proposals to defer state contributions to STRS and PERS. Yesterday, Treasurer Angelides advised the subcommittee that he will commence the restructuring of the debt immediately and that it will result in a net spending reduction of \$203.5 million compared with the Governor's January Budget. Restructuring will be based upon a level payment structure that, Angelides noted, is similar to the structure used in typical home mortgages and car loans. While the payments will be "level," the Treasurer will defer principal payments for several years for both new bond issues and for selective refundings of existing debt. In

Each Supervisor
March 13, 2002
Page 2

addition, the Treasurer will begin to implement the variable rate program authorized by SB 997 and SB 28 (chaptered in 1999 and 2001, respectively). Under this program, a portion of each bond issue will carry a variable interest rate tied to lower short-term interest rates.

Status of County Interest Legislation

County-sponsored AB 1206 (Cedillo), which expresses legislative intent to appropriate \$5 million in the Budget Act for the El Pueblo Cultural and Performing Arts Center, remains on the Senate Inactive File and has not been scheduled for a hearing.

County-supported SB 1276 (Speier), which would require the State Department of Motor Vehicles (DMV) to forward the personal information of male applicants for an original driver's license or identification card to the Selective Service System, was amended on February 20, 2002 to allow the DMV to also include an applicant's social security number. On March 12, 2002, SB 1276 passed the Senate Governmental Organization Committee and was referred to the Senate Committee on Transportation where it is awaiting a hearing date.

We will continue to keep you advised.

DEJ:GK
IGR:md

c: Executive Officer, Board of Supervisors
 County Counsel
 All Department Heads
 Legislative Strategist
 Local 660
 Coalition of County Unions
 California Contract Cities Association
 Independent Cities Association
 League of California Cities
 City Managers Associations
 Buddy Program Participants